



COMMUNITY DEVELOPMENT

CITY OF DURHAM

**City-Wide Longtime Homeowner
Grant Program**

Goal

- To develop a plan to implement the Longtime Homeowner Grant Program city-wide.
- Provide a framework needed to develop options for a City-Wide Program.



Current Program

- Own and live in the home as the primary residence.
- Lived in the house since July 1, 2012.
- Experienced an increase in property tax obligation based upon the 2016 property tax assessment, and the 2019 property taxes are higher than the property taxes were in 2015.
- Own a property located in the Southside, Northeast Central Durham, or Southwest Central Durham target areas.
 - Properties in those areas must be located within proximity to a City of Durham housing investment that occurred between 2010 and 2015.
 - City uses Geographic Information Systems (GIS) platform to determine if the property is within the boundary that qualifies for assistance.



Program Numbers

- As of August 3, 2021, 63 applications received.
- Application deadline is August 31, 2021.



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Areas of Consideration

- Legal Recommendations
- Policy and Program Design
 - Eligible Households
 - Income Thresholds
 - Income Calculations
 - Amount of Assistance
 - Staffing and Administrative Cost: In-house or Outsource
 - Cost Estimates
- Process and Timeline for Proposal Development



Legal Recommendations

- The program either should be City-wide or targeted to areas where city housing investment has occurred.
- Payments are made directly to the tax collector on behalf of the qualified applicant.



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Policy and Program Design



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Eligible Households

- Home-owning Households (Source: HUD MSA AMI).
- There are ~19,655 home owning households below 80% AMI residing in the City of Durham.
- There are ~14,582 home owning households below 60% AMI residing in the City of Durham.

HUD MSA AMI: \$86,400;

HUD MSA AMI: 60% AMI, \$51,840;

HUD MSA AMI: 80% AMI, \$69,120



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Income Threshold: Examine Options

- 30% AMI limit would focus benefit on highest need group of homeowners, where impact would be greatest; 50%-60% AMI limit would be more generous but still focused on lowest income population, consistent with Durham County welfare statute requirements.
- 80% AMI for Durham approaches the Durham County median income.
- AMI is a relative measure and will increase as incomes in the MSA rise.
- AMI limits are set for the Durham-Chapel Hill MSA. Because Durham County median income is below Orange County's, the actual percentage of Durham households served will be somewhat higher.



Income Calculation: Household vs. Individual

- Household income is more time-consuming to verify than individual income but gives a more accurate picture of household financial position.
- For non-elderly households, income may vary significantly from year to year based on the employment situation and changes in household composition.
- As with all programs that provide financial benefits, there would be a risk of fraud – e.g., applicants indicating that their household is larger than it is (which lowers their AMI) and/or not providing documentation for all sources of income.
 - There are some ways to mitigate against this risk, such as requiring some form of identification for each stated member of the household (e.g., birth certificates) and requiring copies of bank statements as part of the financial documentation.
 - However, the risk cannot be completely mitigated without making the program highly onerous to both the homeowner and the administrator.



Amount of Assistance

- Equal to the amount of taxes owed above a fixed percent of household income (similar to the current Circuit Breaker).
- Fixed percent could be the same for all eligible households, or vary with income – e.g., 2% for all households or 1% for households <30% AMI and 2% for households below 50% AMI.
- Basing the amount of assistance on the percentage of household income is more equitable than basing it on the amount of taxes owed or providing a flat benefit.



Staffing and Administrative Costs: In-house or Outsource

- Administrative costs will depend on the overall utilization of the program and particularly the number of ineligible applications.
- The volume of work for the proposed tax relief program would be significantly higher than for the current state property tax relief programs, given the larger number of eligible applicants and the greater complexity involved in the calculating eligibility based on household income.
- State property tax relief programs only consider the income of the homeowner and spouse, regardless of actual household composition.



Cost Estimates

- In order to develop cost estimates, assumptions on a number of factors that will affect the program and program estimated cost.
 - Household Size
 - Average Income
 - Average Home Price
 - Average Property Tax Bill
 - Application Utilization Rate
 - Ineligible Applications
 - Program Delivery Cost



Process and Timeline for Proposal Development

- Staff will develop a range of options for the City Council to consider.
- Over the next three months staff will conduct research and evaluate options.
- Target Date: November 2021





Questions